



Wisconsin Federation of Cooperatives

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**Department of Agriculture, Trade and Consumer Protection
Division of Agricultural Development
Agricultural Development & Diversification Program (ADD)
Grant Project Final Report**

Grant Project Title: "Co-op Care": The Creation of Wisconsin Health Care Purchasing Alliances to Provide Affordable, Quality Health Care in Rural Areas

Amount of Funding Awarded: \$39,000

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Original Intent of the Grant

Over the past several years, numerous studies have demonstrated that health care is at the top of the list of concerns facing rural families, particularly agricultural producers. Farmers typically have only one option when it comes to health insurance: an individual health plan that is considerably more expensive than the group health plans available to many wage and salary earners. In addition, farming is a relatively dangerous profession and many producers lack workers compensation insurance. This combination makes farmers a "high risk" in the eyes of insurers.

The Wisconsin Federation of Cooperatives (WFC) recognizes that health care for producers is a critical issue that must be addressed to stem the loss of farms in Wisconsin. As a means to this end, WFC undertook a multi-year project called "Co-op Care," to allow producers access to a group health insurance option and improve the quality and accessibility of health insurance for rural populations. We began in 2003 by laying the groundwork and building an infrastructure for the project – something made possible through a \$40,000 ADD grant awarded in 2003. In 2004, we began the implementation stage of the project, focusing our efforts on negotiations with health insurers and actuarial analyses.

Accomplishments

The Wisconsin Federation of Cooperatives' "Co-op Care Team" of Project Director Bill Oemichen, Project Coordinator Melissa Duffy and Consultant Cathy Mahaffey have been continuing the development of the five regional Co-op Care health care purchasing cooperatives (Co-op Care of Northwest, North Central, Northeast, South Central and Southeast Wisconsin). This team has been regularly meeting with representatives of the four primary insurers who have expressed interest in the Co-op Care project to develop a health care plan for each regional

cooperative. The team has also developed business and communications plans, as well as a preliminary marketing plan for the delivery of the health care plans in each area.

The primary progress has been made in Northwest and West Central Wisconsin where a preliminary plan was created with Group Health Cooperative of Eau Claire. The preliminary plan focuses on the following main components: (1) physician and hospital coverage, (2) deductibles and coinsurance, (3) benefit plan design, including the state mandates, drug benefit, preventative and wellness, and (4) premium rates.

Following development of the preliminary plan, focus group sessions were conducted in late April with potential cooperative members (ie. the voting members of AgStar Farm Credit) to review the benefit plan design and rates. The feedback was invaluable and Group Health Cooperative of Eau Claire is determining what changes, if any, can be made to make the program more marketable to younger producers. We have also had discussions with Wisconsin Physician Service (WPS) about offering coverage in Northwest Wisconsin in the event GHC cannot make the adjustments needed.

Meetings have also been held during the reporting period with Group Health Cooperative of Southeast Wisconsin, Security Health Plan of Marshfield and United Health Care (formerly Touchpoint) as potential insurance carriers in their respective areas of the state. Furthermore, the WFC Co-op Care team has also been meeting with the incorporators of Co-op Care of Southeast Wisconsin as it develops a potential cooperative health insurance plan with either Humana of Milwaukee, United Health Care of Milwaukee or Principal Mutual of Des Moines. Discussion and analysis has occurred on preliminary plan design and rates, as well as membership eligibility issues.

Meetings are also being held with potential members, primarily through their existing cooperatives (i.e. dairy, grain and farm supply, Farm Credit, electric, credit union or consumer cooperative). These meetings focus on the potential insurers, plan design, and premiums.

WFC Co-op Care staff have also been meeting with technical experts, including actuaries and legal, to review plan design and rates. Milliman Actuary of Brookfield and Huttleston and Associates of Madison have been retained as the actuaries and Michael, Quarles & Brady has been retained as WFC's Co-op Care legal consultant. Among other items, the actuary and legal consultants are assisting with the design of the "stop loss" fund that has been funded by a \$2 million federal appropriation for FY'05. In July, U.S. Senator Herb Kohl and Co-op Care Project Director Bill Oemichen held two "listening sessions" with agricultural producers, cooperative leaders, health care providers and other interested individuals in Eau Claire and Madison to announce that the U.S. Senate has passed an Agriculture Appropriations Bill that allocates an additional \$2.25 million in funding for the Co-op Care stop loss account in Wisconsin, as well as for a similar project in Minnesota. If passed by Congress and signed into law by President Bush, we anticipate the additional funding would be available in October of this year

Identified Barriers

Several potential barriers have been identified to date. First, solving the issue of adverse selection is key to the success of Co-op Care. The Co-op Care cooperatives must begin, and maintain, a balanced membership pool that ensures premiums paid exceed claims. Co-op Care's goals included opening up access to previously uninsured farmers and rural residents which, according to the University of Wisconsin, is 18% of the farm population versus four percent of the general state population. This means potentially "high risk" individuals are being brought

into the cooperative pool. In addition, Co-op Care has a goal of minimal underwriting to ensure those who most need affordable, quality health insurance have access. This, of course, makes the challenge of creating and maintaining a balanced membership pool more difficult. Co-op Care has also proposed, to date, to authorize participating insurers to base rates only on age and sex. This, of course, will likely lead to insurers pricing their insurance product more conservatively (i.e. at higher premium rates). This will, in turn, have implications for the price competitiveness of the Co-op Care insurance product.

Second, the focus groups demonstrated that a number of farmers and other rural residents view insurance solely from a cost perspective. In other words, they want the most basic level of insurance for the least cost. This finding particularly applies to the younger farmers who are needed to help balance the overall pool. This viewpoint conflicts with relatively more senior producers who want a “richer” benefit plan and who are more accustomed to the idea of greater benefits equals higher premium costs. One area where this conflict is particularly apparent is on the discussion of what is an acceptable level of deductibles. Relatively younger farmers are willing to pay higher deductibles because they perceive they will pay less over the year with the relatively lower usage levels. Relatively more senior farmers, and those who have a less than positive health history, are somewhat more resistant to higher deductibles because they are perceived as added cost since it is more likely these farmers will use the health care system and pay the necessary deductibles. This conflict is problematic since the insurers prefer to offer one health care plan to all cooperative members for fear that offering differing deductible levels would also lead to adverse risk selection.

A third potential barrier is the insurers’ concern about maintaining a cap on premium increases over the three years. Obviously, insurers would prefer not to cap premium increases over the term of the contract because of the increased risk exposure if costs should increase faster than premium rates. On the other hand, a rate cap is desirable for farmers because it increases financial predictability during the term of the insurance contract. For Co-op Care, a cap is needed to offset the three-year minimum farmer commitment to remain with the cooperative. The cooperatives, pursuant to state law, are likely to require farmer members to pay at least one month’s premium as a “security deposit” to be refunded at the end of the 36th month. This “36th month” premium is intended to create a strong financial commitment for the farmer since the farmer would forfeit the security deposit if they depart before the end of minimum three year membership period. In return for the commitment, the focus group participants said they would want a commitment from the insurer regarding the maximum rate of premium increase over the minimum three year membership period. All told, if both concerns aren’t met, this could lead to substantial marketing difficulties.

Conclusions/Next Steps

The primary conclusion we can draw from our work over the past year is one the Co-op Care team knew from the start: the “courtship” of insurers, which is required to gain access to group health insurance for farmers, is a time consuming and at times frustrating process. The insurance market nationwide is changing rapidly, and our progress has been delayed at times by insurance company acquisitions and/or personnel changes. At the same time, WFC has suffered its own personnel changes on the Co-op Care team, with Cathy Mahaffey representing the third consultant on this project.

On the positive side, the consultants who have worked on this project have offered their own specialized expertise, and their work has propelled this project forward. We are also enthusiastic about our continuing relationship with insurance carriers. All the carriers we’ve worked with

thus far seem willing to help us move this project forward by lending us their considerable expertise, both from an actuarial aspect and their from their highest levels of management.

Another conclusion we've reached is that a delicate balance must be achieved on the purchaser end between young producers who want less, and less expensive, coverage and older producers willing to spend more for a more comprehensive policy. We know we can convince a critical mass of producers that purchasing health insurance through a cooperative model will be beneficial in the long run. However, it requires an insurer to offer a group insurance policy attractive to a large number of producers – something we hope is imminent.

Our next steps are focused on Northwest Wisconsin where we have done considerable work with insurers and potential cooperative membership. We must determine if GHC of Eau Claire can offer a competitive product and if not, then we will focus our efforts with WPS. We are in the process of gathering demographic data from AgStar Farm Credit Cooperative on their membership so the carriers can fine tune their premium rates. This information/data is needed for the actuaries working on this project (on the cooperative side and the insurer side) to accurately determine rates. It has been surprisingly difficult to obtain this data, mainly because it took us some time to find out from insurers exactly what data was needed. Once that determination was made, AgStar's producer members were working in the fields and not available to participate in telephone surveys.

Once the demographic data is collected and rates and coverages negotiated, we may need to hold another set of focus group meetings as we make adjustments to the program. We will also begin a communications program to educate potential members on the costs of health insurance and what we are attempting to accomplish with Co-op Care.

It is our intent to have a program up and running in Northwest Wisconsin in 2006. We will repeat the process in North Central Wisconsin, and then Southwest Wisconsin. While our pace is certainly less swift than we expected, we have found that forming these cooperatives are very challenging. We realize that we have one opportunity to make this work and it must be done correctly.